AGRICULTURAL OUTLOOK DIGEST

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The planting intentions report ushers in the new crop year each spring. It's the first clue of crops that may result from seedings that farmers will make if they don't change their minds.

Also, actual production depends on seedings, rather than intentions, and on yields (reflecting factors like weather, pests, and fertilizer), and abandonment, together with other factors. Thus, all that can be done now is to make tentative projections of production based on intended plantings and average yields adjusted for trends.

This year's report, based on farmers' plans as of March 1 and average yields adjusted for trend, projects a slight increase in feed grain output, less food grains, and little change in soybeans. The table gives some details, along with 1968 projections at this time last year and actual 1968 output.

Feed grain acreage intended by farmers this year is little different from 1968, but at 116 million acres is nearly 5 million below the 1963-67 average. Prospective acreages of corn and sorghums are slightly below last year, while slight increases are indicated for oats and barley. Announcement of a reduced loan rate for soybeans this year came after intentions were reported, and could encourage farmers to plant more feed grains, especially corn, an alternative in many soybean areas.

Soybean plantings are indicated at a record 43 million acres, 3 percent above 1968. Perhaps more tentative than usual, these intentions as well as the others were reported during the signup period for the wheat, feed grain, and cotton programs, and before announcement that the price support for soybeans would be lowered to $2.25 per bushel for No. 1 beans from $2.50 for No. 2 beans last year. The net reduction is about 30 cents since the higher grade sells at a premium of about 5 cents a bushel.

Food grain acreage plans as of March 1, added to winter wheat plantings earlier reported, point to a 12 percent decline

	Plantings			Production		
	Prospective 1968	Final 1968	Prospective 1969	Projected 1968	Final 1968	Projected 1969
	Billion acres			Billion bushels		
Corn	64.9	64.8	64.4	4.4	4.4	4.5
Sorghum	17.0	17.9	17.7	.728	.739	.775
Oats	21.2	23.0	23.3	.806	.930	.910
Barley	10.3	10.3	10.4	.390	.418	.410
Soybeans	41.8	41.6	43.0	1.04	1.08	1.08
All wheat	62.7 1/	62.6	54.4 1/	1.52	1.57	1.41
Rice	2.372	2.367	2.142	109 3/	105 3/	101 3/
Tobacco 2/	.906	.884	.930	1.85 4/	1.72 4/	1.90 4/

1/ Prospective planting of spring wheat plus acreage of winter wheat as estimated in Dec. 1968. 2/ Harvested acres. 3/ Million hundredweight. 4/ Billion pounds.

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from last year to 60.5 million acres. The wheat acreage allotment was reduced 13 percent this year. Rice growers plan 9 percent less acreage; rice allotments were cut 10 percent.

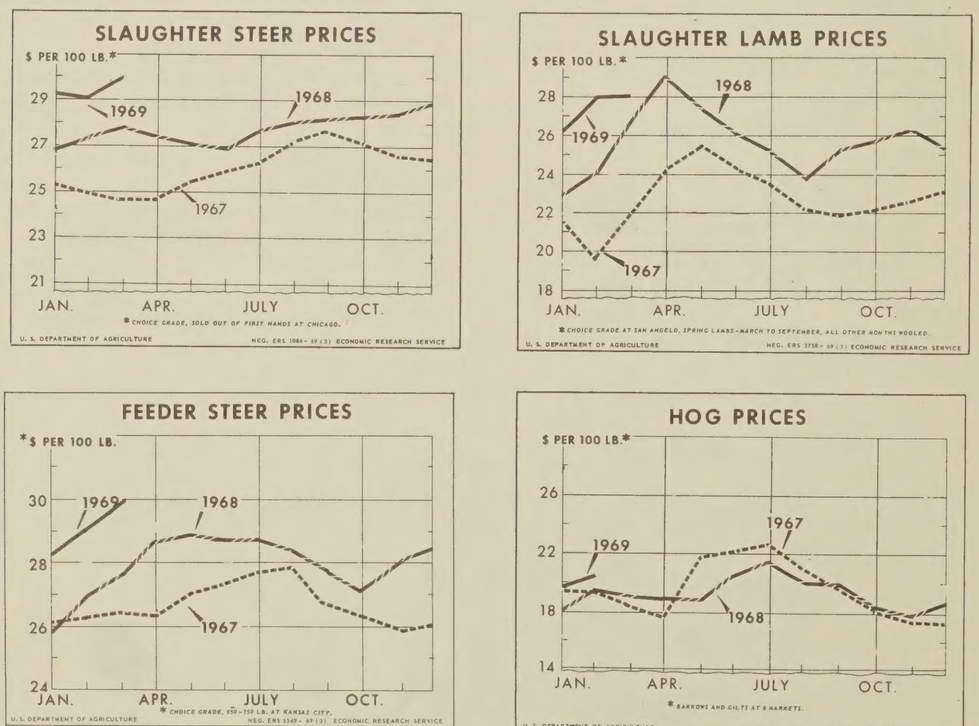
<u>The rice supply</u> for the 1969/70 marketing year may rise further despite the intended cut in acreage. If the projected output of 101 million cwt. is reached, and if the carryover into the marketing year doubles or triples last summer's modest level of 6.8 million cwt., as expected, the supply will slightly exceed the record 112 million cwt. for the current season.

The carryover will be up because exports have not been running high enough above last season's levels to offset increases in supply. Domestic use apparently is continuing upward. However, gains in domestic use and exports are minor in comparison with the 15 percent supply buildup that resulted this season from 1968's record crop.

<u>Livestock inventories</u> as of January 1 point to continued increases in production of beef and pork and a further decline for lamb. Despite larger supplies, livestock prices are running above year-ago levels. Prices for the year are expected to average above 1968 for most livestock. With the dairy herd further reduced, lower milk output is again likely this year; milk prices, reflecting higher support levels and actions in Federal order markets, will average above 1968 prices.

Numbers of cattle and calves on farms and ranches totaled 109.7 million on January 1, slightly more than a year earlier. Beef cattle numbers were up about 1.2 million, while dairy cattle were down about 0.6 million. Hog numbers were up 4 percent from a year earlier, reflecting a similar rise in the 1968 fall pig crop. The sheep and lamb inventory declined 5 percent to a record low.

Last year, the beef cow herd rose another 2 percent, pointing to a larger beef calf crop this year. This will permit continued expansion in cattle feeding and also provide the potential for larger beef output next year.



Continued buoyant general demand has brought across-the-board strength to livestock prices in early 1969, and for slaughter cattle and hogs, prices have risen despite substantial increases in supply.

Fed cattle marketings rose 6 percent in 1968 and further increases are in prospect for 1969. Ten percent more cattle were on feed at the beginning this year. There were increases in both heavy cattle about ready for winter slaughter and lighter cattle that typically reach slaughter finish in the spring. Further increases in marketings are likely in the second half of 1969, but they may not be as much above a year earlier as in the first half.

Fed cattle prices this spring may lose a little of their winter strength from pressure of large cattle marketings and more pork and poultry than a year earlier. However, Choice steers at Chicago likely will run above the April-June 1968 average. Also, second half prices likely will continue above 1968 levels.

The strong market for fed cattle and a continued brisk feedlot demand will likely hold prices of feeder cattle generally above 1968 levels throughout 1969.

Hog slaughter so far this year has been up 4 to 5 percent and likely will continue above last year through 1969. There are 4 percent more market hogs that will reach slaughter weights this spring, and hog producers in December 1968 reported plans to increase this year's spring pig crop by 5 percent.

The hog-corn price ratio has remained favorable. It may encourage producers to continue expanding production next fall and thereby increase supplies of pork in the first half of 1970. The number of sows expected to farrow in 10 Corn Belt States during June-August is up 6 percent from a year earlier.

Sheep and lamb slaughter is expected to be smaller again this year. Slaughter was down 7 percent last year, but was large in relation to the beginning inventory and the lamb crop. Choice slaughter lambs at San Angelo were $28 per 100 pounds in February, about $4 higher than a year ago. Some price advance is in prospect for spring lambs, and prices will continue higher than a year ago.

Milk production in late 1968 remained below year-earlier levels, reducing the year's total to 117.3 billion pounds, 1.3 percent below 1967 output. Lower production is likely again in 1969. January-February output was down 1.3 percent after adjustment for last February's extra production day.

Milk cow numbers may decline less than last year. But production per cow is not rising enough to bring up total output, despite the comparatively favorable relationship between prices of feed and milk that has boosted feeding rates to record levels recently.

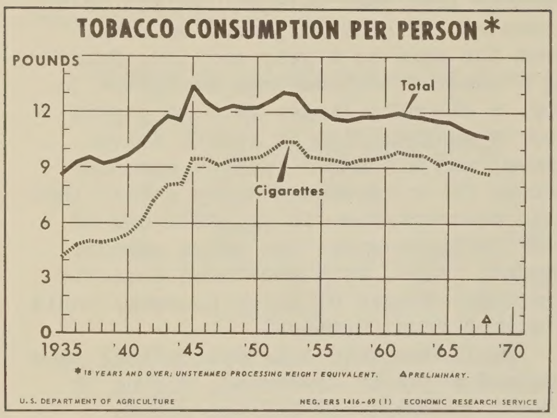
During the first quarter of 1969, Class I prices in Federal order markets and the dairy support level were above a year earlier and raised milk prices to farmers by about 5 percent. Barring a change in the support level, smaller gains are in prospect for the second quarter. However, in the second half of 1969, a stronger than usual seasonal price rise might occur if a tighter supply-demand situation develops.

Commercial sales of milk in all dairy products last year were equivalent to an estimated 110 billion pounds of milk, about the same as a year earlier, following a decline of 5 percent in 1967. In 1969, a slightly larger gain in population, a smaller rise in retail dairy prices, and a further rise in consumer incomes favor increased dairy sales; this would mean smaller CCC acquisitions of dairy products under the price support program. Also, with continued domestic donations, stocks of dairy products would be worked down further.

Total domestic consumption last year reversed a 3-year downtrend, rising $1\frac{1}{2}$ percent to about 117 billion pounds. USDA donated more dairy products for use in domestic programs, and military consumption was higher than in 1967.

The tobacco carryover will be down again at the end of the current marketing year to give a closer balance between supplies and utilization. Total use may exceed 2 billion pounds compared with the 1968 crop of 1.73 billion. This would leave 3.8 billion pounds at the end of the season, down from 4.1 billion a year earlier.

Tobacco plantings for the 1969 crop may increase by 5 percent over last year's harvested acreage of 884,500. Virtually all the increase is in flue-cured area, since there were net undermarketings last season under the acreage-poundage program.



An all-tobacco crop of 1.9 billion pounds could result, up about 11 percent from 1968. However, a reduced beginning carryover would hold the 1969/70 supply below the current season's supply. Also, the projected 1969 crop would be slightly below projected disappearance, resulting in a further working down of stocks.

Prospects for cotton mill use and exports, already below those of last season, have weakened further in recent months. Also, ginnings of the 1968 crop slightly exceed prior estimates. Thus, the August 1 carryover is now expected to about equal the $6\frac{1}{2}$ million bales of 1968--a level still well below other recent years.

U.S. mill consumption for 1968/69 is now expected to total about $8\frac{1}{4}$ million bales, 0.7 million below the 1967/68 level. Use during August-January ran 9 percent below the year-earlier period. A pickup, indicated earlier, has not materialized. Market losses to man-made fibers are mainly responsible.

Earlier estimates were that cotton exports this season would be substantially below those of 1967/68. Exports early in the season were down because of sluggishness in world cotton trade and the price disparities between U.S. and foreign-grown cotton. Further weakness in export prospects in recent months reflects mainly the prolonged dock strike at western Gulf ports. Exports in January amounted to 54,840 bales, only a fraction of the previous January's total, and in February remained small. For all of 1968/69 they are expected to total about $1\frac{1}{2}$ million bales below last season's 4.2 million. Exports in August 1968-January 1969 were only 1.1 million bales, down 40 percent from the same months of last season.

March 1 intentions indicate that cotton producers plan to plant about 12.0 million acres to the 1969 cotton crop. This would be about 1.1 million acres above plantings for the 1968 crop. The increase is due mainly to changes in the 1969 upland cotton program--no acreage diversion required, and no payments made for voluntary diversion.

Preliminary ginnings indicated that the 1968 crop of all kinds of cotton totaled about 10,915,200 bales, including 10,837,000 bales of upland cotton. The total crop is over 0.1 million bales above the December 1 estimate and 3.5 million above the very small 1967 crop. Both the average yield and acreage were higher for the 1968 crop.